

TWENTY-NINTH MEETING OF THE CANADA-
UNITED STATES INTERPARLIAMENTARY
GROUP

May 5-9, 1988

REPORT

BY THE

CHAIRMAN AND VICE CHAIRMAN

OF THE

SENATE DELEGATION

PURSUANT TO
PUBLIC LAW 42, 86TH CONGRESS



U.S. GOVERNMENT PRINTING OFFICE

89-106

WASHINGTON : 1988

5920-8

SENATE DELEGATION
ATTENDING THE CONFERENCE

WYCHE FOWLER, JR., Georgia, *Chairman*

TED STEVENS, Alaska, *Vice Chairman*

(II)

LETTER OF TRANSMITTAL

U.S. SENATE,
Washington, DC, July 30, 1988.

Hon. GEORGE BUSH,
President, U.S. Senate.

DEAR MR. VICE PRESIDENT: Pursuant to Public Law 86-42, approved June 11, 1959, and as chairman and vice chairman of the Senate delegation, we have the honor to submit a report on the 29th meeting of the Canada-United States Interparliamentary Group which was held in Key West, Florida, May 5-9, 1988.

Sincerely yours,

WYCHE FOWLER, Jr.,
U.S. Senator.
TED STEVENS,
U.S. Senator.

(III)



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BACKGROUND AND COMPOSITION OF DELEGATION

Public Law 86-42, adopted on June 11, 1959, authorizes U.S. participation in interparliamentary conferences with Canada. The law provides that members of the U.S. Congress are to be appointed to meet annually with representatives of the House of Commons and the Senate of the Canadian Parliament "for discussion of common problems in the interest of relations between the United States and Canada." The meetings are held alternately in Canada and the United States.

UNITED STATES

Representing the U.S. Senate were: Wyche Fowler, Jr., Georgia, Chairman; and Ted Stevens, Alaska, Vice Chairman.

Attending the meetings from the House of Representatives were: Sam Gejdenson, Connecticut, Chairman; Dante B. Fascell, Florida; Jack Brooks, Texas; Sam Gibbons, Florida; E (Kika) de la Garza, Texas; John LaFalce, New York; Timothy Penny, Minnesota; William S. Broomfield, Michigan; Frank Horton, New York; David O'B. Martin, New York; and Frederick Upton, Michigan.

CANADA

The members from the Canadian Senate were: James Balfour, Saskatchewan, Co-Chairman; E.W. Barootes, Saskatchewan; Henry D. Hicks, Nova Scotia; H.A. (Bud) Olson, Alberta; Duff Roblin, Manitoba; Richard J. Standbury, Ontario; and George C. Van Roggen, British Columbia.

The House of Commons were represented by: Pat Nowlan, Nova Scotia, Co-Chairman; Lloyd Axworthy, Manitoba; Ross Belsher, British Columbia; Bill Blaikie, Manitoba; Howard Crosby, Nova Scotia; Jim Edwards, Alberta; Jim Fulton, British Columbia; Darryl Gray, Quebec; Don Boudria, Ontario; Ken James, Ontario; Bill Kempling, Ontario; Fred McCain, New Brunswick; Paul McCrossan, Ontario; John McDermid, Ontario; Bob Porter, Alberta; Barbara Sparrow, Alberta; and W.C. Winegard, Ontario.

Plenary:

Canada-U.S. Free Trade Agreement:

- Procedures for ratification/implementation

- Agriculture

- Services, including financial

- Automobiles

- Energy

- Investment

- Dispute resolution—interpretation of FTA and review of

- ATD/CVD cases

- Culture

Intellectual property
Alcoholic beverages

Committee Sessions:

Committee I—Trade Issues

U.S./Canadian countervailing and anti-dumping duties:
development of a substitute system of rules

The Free Trade Agreement and GATT

Uruguay Round: agriculture, services, intellectual
property

Committee II—Defense and Energy

Arctic sovereignty—access to the Northwest Passage

Canadian submarine purchase and U.S. technology

FERC regulations regarding natural gas throughput
charges

Committee III—Environment and Fisheries

Acid rain

East and West coast fisheries

Plenary:

Canadian and U.S. elections

PLENARY

CANADA-UNITED STATES FREE TRADE AGREEMENT

PROCEDURES FOR RATIFICATION/IMPLEMENTATION

The twenty-ninth annual meeting of the Canada-U.S. Interparliamentary Group commenced with a discussion of the procedures for ratification/implementation of the U.S.-Canada Free Trade Agreement (FTA).

A U.S. delegate opened the session with a presentation of the prospects and procedures for enacting legislation to implement the FTA, which he noted would create the largest trading arrangement in the history of the world. He pointed out that the United States and Canada have come close to reaching similar agreements in the past, but always failed.

The process for considering implementing legislation is already underway in the United States, in the form of hearings, field visits, and informal markups by various committees of the House and the Senate. The legislation will be considered under the "fast track procedure", whereby there is a restricted period of time for the Congress to consider the legislation and no amendments are in order. The U.S. participant explained that the Congress differs from most legislative bodies in being coequal with the executive branch. Other countries have become reluctant to negotiate with the United States because the Congress is likely to tear-up an agreement, so the United States has adopted procedures for consideration of certain trade agreements in which the Congress acts like a parliament in order to avoid procedural delays and amendments.

The Administration has provided the Congress with draft implementing legislation which the committees of jurisdiction (eight in the House, six in the Senate) are reviewing and discussing with the Administration. After this consultation period is completed, the

Administration will submit the final version of the implementing legislation. The Congressional leadership has committed the Congress to a vote on the legislation prior to the adjournment of the 100th Congress, despite the timeframe provided for under the "fast track procedures" which could extend the period beyond the likely early October, pre-election, adjournment date.

In responding to a question as to what kind of changes could be made in the draft legislation, the U.S. delegate explained that permissible changes were "who" or "how" a provision of the FTA is implemented, but not in the substance of the FTA.

A Canadian delegate explained that the ratification process in Canada is quite different. The federal government is empowered to sign treaties, so the Canadian Government has already approved the agreement. All that remains is the implementation of the agreement. The legislation has not yet been sent to the Parliament. The timeframe for consideration will depend in part on the degree of opposition and in part on the timing of U.S. consideration.

Answering a question as to what happens if the Parliament fails to approve the legislation, the Canadian member said the government has sufficient votes to prevail in the House. Although controlled by the opposition Liberal Party, the Senate is appointed and does not have the political/constitutional standing to block legislation submitted by the Government.

Another Canadian noted that current polls indicate that the governing Conservative Party could not easily win an election. If an election is held in the fall—and the Senate likely would not have acted by then—the election would be a referendum on the FTA. In fact, some are suggesting that the Senate should not consider the legislation until after a new election, after which it would follow the dictates of the electorate. However, if the Senate is perceived to be delaying the legislation, the press and the government will exert pressure on the unelected Senate to move the legislation.

An American member raised the matter of the role of the provinces in approving the FTA. A Canadian explained that, with the recent defeat of the NDP (New Democratic Party) government in Manitoba, there remain only two provinces the governments of which are opposed to the FTA. Ontario is concerned over the treatment of wine, but has already lost that issue given the recent GATT ruling against Canadian provincial liquor regulation. The federal government has the legal authority necessary to implement the FTA.

Another Canadian said that the FTA is very controversial in Canada. There is no consensus, and 60-70% of the Canadian population feels an election should be held to resolve the matter. The implementing legislation will affect twenty-seven different statutes. The extent to which the Government uses its stick in the House will affect Senate consideration. He also asserted that the new Liberal Government in Manitoba will not support the FTA.

Another member of the Canadian delegation explained that, although in Canada the FTA is a treaty, in fact, under Canadian law there is no practical difference between a treaty and an agreement. A recent report, based on expert testimony before the House Committee on Foreign Affairs, concludes that the federal government has the power to enact the agreement. In any case, most of the

items covered under the FTA are under federal jurisdiction. Another Canadian pointed out that in Canada treaty making authority rests with the executive branch, but in the United States authority over trade rests with the Congress. The reason Canada needs implementing legislation is there is some conflict between current law and the FTA. Although there is some conflict with provincial law, that is not a paramount difficulty. The FTA comes into effect on January 1, 1989, upon the exchange of diplomatic notes indicating that the necessary statutory authority is in place.

The view of another Canadian member was that the FTA represents a surrender of Canadian sovereignty. He said that the upcoming election should be considered part of the ratification process, and that a new Canadian Government could renege on the FTA.

An American delegate said that U.S. ratification/implementation of the FTA will be completed in the U.S. Congress this fall and will not be reversed by the November elections. There is no strong feeling and indeed considerable ambivalence in the United States toward the FTA, but Presidential veto of the omnibus trade bill (H.R. 3) could influence members' votes. It was pointed out by another American that, despite the general lack of focus on the FTA, there were isolated groups which are informed, interested, and lobbying on the Agreement.

Several American delegates reiterated the view that what the 100th Congress enacts will become the law of the land and will not be reversed by subsequent Congresses. But serious concern was expressed over a lack of continuity of policy in Canada—what will happen if the Liberal Party wins a majority or plurality in the election; are we just wasting time if a new Canadian government is likely to terminate the FTA?

A Canadian suggested that John Turner's opposition to the FTA was one reason a majority of members of the Liberal caucus has asked him to step down as party leader, and that a Liberal Government after the next election would jeopardize the FTA.

One Canadian member suggested that it is not likely that a new Canadian Government would tear up the FTA, as it would be required to give diplomatic notice of intent to withdraw and give due consideration to the probable U.S. reaction, such as withdrawing from the Auto Pact and the initiation of a trade war.

With respect to the implications of the trade bill's fate on congressional attitudes toward the FTA, one U.S. delegate expressed the opinion that H.R. 3 will become law, in one form or another. The executive branch needs the legislation more than the Congress does. The legislation provides the broadest grant of trade negotiation authority ever granted to a President, and he both needs and wants that authority. In opposing the provision on 60-day notification of plant closings, the President is handing the Democrats a campaign issue—not a trade issue, but a fairness issue. Congress is unlikely to override the President's veto, but H.R. 3 will eventually become law. A second American delegate agreed the omnibus trade bill will become law, and expressed concern that a trade war could result from failure to ratify the FTA. Another suggested eventual enactment of an omnibus trade bill may be more problematical—the House can override the President's veto and also can pass a new bill without the provision of plant closings, but the

Senate cannot override the veto and may not be able to bring up a revised bill.

An American member expressed the view that Congressional approval of the FTA does not hinge on agricultural issues. The House Committee on Agriculture was briefed and consulted during the negotiations, has held hearings, and now is providing the Administration suggestions on the implementing legislation. While there are concerns over the impact of the FTA on individual agricultural products, most of those concerns can be dealt with.

DISPUTE RESOLUTION MECHANISM

An American member commenced the discussion of the dispute resolution mechanisms in the FTA by explaining that there are two different mechanisms. The mechanism provided for in chapter 18 is the Canada-United States Trade Commission, composed of representatives of the two governments. It is designed to settle disagreement over the FTA and can utilize nonbinding panels of experts.

The mechanism established by chapter 19 provides a review of national decisions in anti-dumping and countervailing duty (ATD/CVD) cases. It also utilizes panels of experts, but the determinations of these panels are binding on the parties. A case goes through the normal administrative process to a final determination but, prior to judicial review, either party can request a panel review of whether the decision comports to the law of the country in which the case is brought. This review mechanism was agreed to in lieu of a joint Canadian-United States ATD/CVD law, the development of which there was insufficient time. This procedure is to be in effect for five-to-seven years, during which time the two countries are to work to develop a unified system of law. The only appeal from a panel decision is in cases of conflict of interest. This mechanism was the linchpin which sealed the FTA. Without it, there would have been no Agreement.

Another American delegate discussed the three constitutional issues which have arisen with respect to the dispute resolution mechanisms in the Agreement. With respect to the allegation that the mechanism violates due process as set forth in the Bill of Rights, the due process clause would require only that the ATD/CVD system be rationally designed to accomplish its task, not that it necessarily be enforced by the courts. As to the appointments clause—that officers of the U.S. Government be appointed by the President with the advice and consent of the Senate—it can be argued that the binational panels are international bodies, not U.S. Government entities. The third and most serious assertion is that the Constitution places all judicial power in Article II courts. Can judicial review be replaced in these matters? The answer probably is "yes", as the area of ATD/CVD involves foreign policy and international issues, in which areas the courts consistently have been reluctant to second-guess decisions of the executive branch and the Congress. In summary, he reported that the elements of the dispute resolution mechanism appear to pass constitutional muster.

A Canadian member agreed that the dispute resolution mechanism is the heart of the Free Trade Agreement. The initiative

arose from Canadian concern over the application of U.S. trade remedy law, specifically the length of, possibility for delay in, and lack of confidence in the judiciousness of the process. The system of panels will provide a guarantee of Canadian participation in review of U.S. administrative judgments and thereby create greater confidence in the system. He noted that the underlying problem was differing Canadian and U.S. perceptions of what a subsidy is and that the dispute resolution panels will be accompanied by a second track which will attempt within five-to-seven years to reconcile these differences.

The American delegate noted that the dispute over lumber had been a principal incentive to the creation of a dispute resolution mechanism. He said that the dispute resolution mechanism had, in part, come out of these interparliamentary meetings and would set a model for other countries. He pointed out that it is fortunate that U.S. and Canadian law spring from the same source and that Canadian and U.S. ATD/CVD law are similar.

A Canadian contested the assertion that the dispute resolution mechanism would deal with the problem of delay in the consideration of U.S. ATD/CVD cases, as the delay occurs in the administrative process, not in the judicial review, whereas the dispute resolution mechanism does not engage until after the final administrative determination is made. In fact, the current system provides greater opportunity to circumscribe delay, as a case can be referred to GATT after a preliminary administrative decision.

An American reported that the U.S. Congress has shared the Canadian concern over lengthy administrative procedures. In 1972 it was discovered that some cases had been in the administrative review process for some twenty-five years. The solution then was to replace the Department of the Treasury with the Department of Commerce as the agency to review ATD/CVD cases.

INTELLECTUAL PROPERTY/CULTURE

A member of the Canadian delegation introduced the issue of intellectual property and culture. He explained that, if you scratch a Canadian, under the surface you find both a North American and a Canadian. Cultural industries are important to Canada both economically and culturally. Canadian concern over its culture can be understood simply by looking at the extent of foreign (primarily American) domination of the Canadian cultural market: books, 75%; English-language television, foreign programming accounts for 71% of air time; movies, foreign films account for 97% of screen time; film distribution, 90% of revenues go to foreign firms; music, 89% of revenues to 12 foreign owned firms.

He noted that, the Free Trade Agreement reduces (or sought to reduce) discrimination against U.S. interests in most areas of Canadian policies affecting culture that have been objected to by the United States:

There is no change in C-58 (the law dealing with border broadcasting and tax deduction for advertising on U.S. stations), but a standstill is promised;

The requirement that travel literature be printed in Canada is removed;

The initial draft of the agreement would have eliminated postal rate discrimination on periodicals, but that provision was deleted when the U.S. refused to guarantee a standstill in special treatment for the U.S. maritime industry;

In investment policy affecting cultural industries, the Canadian Government commits itself in the FTA to purchase any forced divestiture;

In film distribution, the government has announced a new policy aimed at promoting the domestic industry rather than restricting foreign participation; and

In retransmission rights, respect for U.S. copyright protection is promised by the time of implementation of the Agreement, and the matter is well on the way to being resolved.

The Canadian delegate summarized the new film policy which the Minister of Communications had announced the day before, May 5th. It includes: (1) a five-year, \$200 million financial support program (\$85 million for Canadian-owned and controlled distribution firms and \$115 million to assist Canadian producers to make culturally significant films); (2) a film import regulatory regime with two classes of rights, one for proprietary film products, for which the importer holds world rights or in which the importer is a principal investor, and one for non-proprietary film rights, for which the importer must demonstrate that the rights for Canada were acquired under a separate agreement and without consideration for any other market; and (3) a new Investment Canada policy governing foreign investment in the Canadian distribution sector, including a prohibition on foreign takeover of Canadian owned and controlled distribution firms and the allowance of foreign investment in new distribution operations only of proprietary products.

An American member explained that there is continued concern in the United States over the exemption of cultural industries from the Free Trade Agreement. There is an appreciation in the United States that some degree of exclusion is necessary to maintain a Canadian cultural identity, but there is also concern that the United States was taken advantage of, as some of the exemptions are, in fact, commercial in nature, not cultural. He stated that C-58 remains an irritant and that the new film policy is somewhat curious and would appear to be a new nontariff barrier and inconsistent with the "standstill" provision in the Free Trade Agreement.

Another American delegate expressed concern that this pattern of special treatment of cultural industries would create a model which other countries might attempt to follow. A third American said that the rest of the FTA was easy to negotiate compared to this sector. He also said that this area is particularly difficult to explain to Members of the U.S. Congress. The lobbying is fierce, with considerable amounts of money and emotion involved. He expressed an understanding of the Canadian perspective, but said it is still hard to justify in the United States.

In response to an inquiry as to the nature of the likely agreement on retransmission copyright protection, a Canadian said the negotiations are still under way. He said that Canadians are Americans—North Americans and proud of it—but also Canadians with a separate identity. No Canadian government could ever agree to

free trade in culture. Culture is to Canadians what national security is to Americans. Canada is not taking advantage of the United States, but the issue of setting a pattern for other countries is a serious matter.

An American said he could appreciate the cultural issue, but was concerned over the mixing of commercial and cultural interests. He reported that certain U.S. film distribution firms were not allowed to open offices in Canada. Several Canadians responded that they were unaware of specific investment cases, but that 97% of films distributed in Canada are foreign. There are films made in Canada, but the distribution firms and the movie houses are U.S. owned and don't show Canadian films, which account for less than 3% of screen time. The U.S./Canadian film industry is integrated; it is owned by U.S. producers and distributors, who have no interest in distribution of outside films. The issue is the opportunity for Canadians to watch films produced by and about Canada, to nurture Canadian talent, and to break into the existing monopoly.

Another Canadian suggested that the concern over setting a precedent for other countries should not be a serious concern, as no other country experiences the overwhelming foreign dominance of its cultural industry as does Canada. For example, in contrast to 3% of screen time for domestic films in Canada, the figure for Australia is 20%, Britain 26%, France 49%, and the United States 98%. There is no parallel situation, so there should be no precedent. Americans fail to appreciate the Canadian perception because their culture has never been under attack, under foreign dominance. In fact, in the 1890's the United States acted to protect its publishing industry against British published books and only just recently has removed that protectionist provision.

Another member of the Canadian delegation suggested that Americans should be able to understand the Canadian perspective if one thinks of the parallel with foreign investment and the Foreign Investment Review Agency (FIRA). Americans could not understand why Canada established FIRA in the early 1970's—the reason being foreign, particularly U.S. investor dominance of some sectors of the economy, reaching as high as 90% in certain areas. Yet, today there are cries of outrage in the American political system over the threat of foreign investment in the United States, which does not reach even 5% in any single sector of the economy. He suggested that the goal is to secure Canadian control of 10% of the cultural industry.

An American delegate suggested that there is some U.S. sensitivity to Canadian concerns, as evidence by the fact that there is a cultural exemption in the FTA. What concerns Americans is not the goal of protecting Canadian culture, but the means, some of which are not targeted to the stated objective. Perhaps promotion, rather than protection, would be a more proper policy to pursue.

Another American urged both sides to exercise restraint on this issue, lest it become the equivalent of the "plant closing provision of the trade bill", i.e. the shoals upon which a good agreement could be wrecked. He suggested that Canada could pursue better anti-trust laws to break up the monopoly. He also said he disagrees with the objections to foreign investment inflows which are heard in the United States. Foreigners have to do something with the dol-

lars they are accumulating from crazy U.S. economic policies which create annual budget deficits of several hundreds of billions of dollars. Capital inflows have prevented skyrocketing interest rates. Only weak governments have to worry about foreign investment; strong governments can tax foreign investment, regulate foreign investment, and even nationalize foreign investment.

AGRICULTURE

A member of the U.S. delegation led off the discussion on agriculture. He said there are positive aspects to the manner in which agriculture is treated under the Free Trade Agreement, particularly the elimination of tariffs and the increased access for horticultural products. However, there are some legislators from farm states who have specific concerns, such as the treatment of sugar and the elimination of quotas for wheat, barley, oats, and grain products when the subsidy level of the two countries reaches equivalency. How to determine equivalency is a serious problem. By and large, the agricultural provisions of the FTA will open up two-way trade and many U.S. producers will be able to compete as long as there is a level playing field. The Agreement should receive overall support from the U.S. agricultural community.

A Canadian delegate explained that the Canadian food industry is nervous over the tariff reductions. The dairy industry sees U.S. import restrictions on commodities such as ice cream and yogurt, as continuing to deny Canadian access to the U.S. market. Canada will continue its supply management schemes, such as for dairy and poultry. Elements within Canadian agriculture considers the FTA the beginning-of-the-end. However, while it increases quotas for dairy products, supply management will continue in place.

Several Canadians expressed strong objections to the provision in H.R. 3 that would expand the EEP (Export Enhancement Program) from \$1.5 billion to \$2.5 billion. Canada realizes the intended target of the program is EEC export subsidies, but the effect is to depress world grain prices. This matter needs to be resolved, as neither side is winning. Contrary to U.S. expectations, the EEC is not getting weary of the cost of export subsidies, support for which is sustained by important domestic constituencies. Canada has been able to maintain its share of the world grain market, but it is earning substantially less income because of depressed prices.

Another Canadian member explained that world agricultural markets are changing and are beset by considerable uncertainty. Canada has reacted to the U.S. farm program with one of its own. Between six and seven percent of Canadian farmers are not surviving, and, depending on how long world grain prices remain depressed, another 20% may not survive. The Canadian sugar industry went into upheaval several years ago when sugar was being landed at Canadian ports at 3 cents a pound. Canada cannot easily shift from production of one crop to another because of its climate—there are only so many frost-free days. The north/south movement in agriculture works to the benefit of both Canada and the United States, and the Free Trade Agreement has advantages for agriculture in both countries. Hopefully the FTA will help

avoid further disputes such as the one of several years ago over hogs.

A U.S. delegate pointed out that the United States is Canada's number one agricultural export market, and that Canada is number three for the United States. It has generally been a positive relationship. The Free Trade Agreement, operating within each country's regulatory scheme, maintains that relationship and works toward the objective of equalizing subsidies in the two countries. Agricultural subsidies are at about 4% of the U.S. budget and at about 3% of the Canadian budget. It will take awhile to level the playing field, to equalize subsidies. Two-way trade in agriculture is valued at \$5 billion, in near balance depending on how it is measured, and will rise under the FTA. The United States appreciates the good market which Canada provides for U.S. agricultural products.

Another American noted that a principal objection to the Free Trade Agreement is its failure to deal with subsidies, so it is important to broach that issue over the coming years.

SERVICES

A member of the Canadian delegation opened the discussion of services. He noted the FTA has two sections on services. The first one, chapter fourteen, covers services in general and will serve as a prototype for the Uruguay Round of GATT. It extends national treatment to companies from the other country and prohibits new barriers.

The second section on services, chapter seventeen, deals exclusively with financial services. In Canada, financial services are divided into four segments—banking, insurance, trust, and stock brokerage. A company in one segment is not allowed to engage in an activity in the other. That will change as of July 1, when barriers between the segments will be removed. The United States is considering revision of the Glass Steagall Act, and the FTA would accord Canadian firms equal treatment with respect to any changes in that law. He also noted that the extension by the FTA of national treatment to insurance companies was preceded by the U.S. and Canadian insurance industries agreeing two years ago to lobby for opening the insurance market between the two countries. The amount of cross-border investment in insurance is about equal.

An American reported that there is general support in the United States for the services provisions in the FTA, particularly for the financial services chapter. He concurred that the Agreement will serve as a model for the GATT negotiations. The U.S. financial industry has been in turmoil for a decade. The Senate has already passed legislation to alter the Glass-Steagall Act, to reduce barriers to bank involvement in securities activities. The situation in the House is more uncertain, as the legislation falls within the jurisdiction of two Committees, the Banking Committee and the Energy and Commerce Committee. Economic necessity will force the Congress to provide banks with increased leeway. It is more likely that banks will be granted authority to engage in securities than in insurance activities.

AUTOMOTIVE SECTOR

A U.S. member explained that the automotive sector is very important, accounting for about one-third of all U.S.-Canadian trade. In addition to eliminating tariffs, the FTA requires Canada to eliminate its auto duty remission program and the ban on importation of used cars from the United States. The big three automobile companies support the automotive provisions in the Agreement. The real issue is not automobiles, but automotive parts. The FTA will continue to permit local production based schemes for a period of time, which will work to the disadvantage of U.S. parts producers. U.S. automotive parts companies which already have their own niche in crossborder trade are content with the FTA, but not those without a niche and which are seeking to move products into Canada.

A Canadian reported that Canadian interests were relatively pleased with the Agreement. There had been concern that the Auto Pact would be gutted during the negotiations, but instead it was strengthened. Automobile production is becoming integrated worldwide in design and in production. The big advantage of the FTA is the new 50% North American content requirement—the calculation of which includes parts and labor, not nonproduction costs—for other than the big three which are not covered by the Auto Pact. It eliminates the free trade zone advantages for other auto manufacturers, which has been a threat to the auto parts industry. In Canada it is suggested that the FTA will lead auto parts manufacturers to leave the country for the United States—just the opposite of what is heard in the United States.

Another Canadian reported substantial opposition to the automotive provisions in the Free Trade Agreement, particularly from the Canadian UAW. The concern includes the fear that offshore investment will be discouraged. Another Canadian suggested that the opposition is based not on any weakening of safeguards (which the FTA does not do), but rather on a fear of a coming shakeup in the automobile industry. An American pointed out that the UAW in the United States also opposes the FTA. So, maybe the agreement is a good balance. Canadian and U.S. workers cannot both be right that the other country received the better end of the deal.

A member of the Canadian delegation pointed to the Blue Ribbon Panel to assess the state of the North American auto industry as a particularly useful provision of the FTA. He noted that earlier the principal safeguard against foreign penetration in the automotive sector was tariffs, but the reduction in the tariff rate, from 17.2% at the beginning of the Auto Pact to 9% today, had substantially reduced its significance. Another Canadian suggested that both the Canadian and the U.S. automotive industries could lose jobs from global market developments.

An American member made the assessment that the North American auto industry has been vastly strengthened by the revaluation of the dollar. Unit costs of production are now higher in Europe and Japan than in North America, which may once again become the center of automobile manufacturing. The U.S. and Canada are already shipping cars to Japan.

A Canadian said that U.S. and Canadian auto workers are concerned over the excess production capacity in North America, which highlights the value of the new 50% rule-of-origin.

ENERGY

A U.S. delegate described the U.S. oil and natural gas industry as expressing little interest in the FTA issue. He indicated that, in the area of hydropower, the unit tie concept was particularly promising for western states and provinces. On the issue of uranium, there was interest in the Senate in amending the implementing legislation, but the likelihood of this occurring was considered slight. The delegate stated that in the context of the agreement the energy issue represented a success.

A Canadian participant agreed that the energy portion of the FTA was mutually desirable. The delegate went on to discuss the range of energy issues indicating that deregulation was proceeding at a rapid pace in Canada. The criticism was made that the United States was subsidizing the uranium industry. It was mentioned that Canada currently provides 1.8% of U.S. demand for electricity, all of which is contracted commercially. A U.S. participant expressed the view that international market forces were dictating the energy relationship between Canada and the United States. It was felt that for the next ten or fifteen years the FTA would help to maintain a good energy relationship between the two countries.

A Canadian delegate argued that the energy issue goes to the heart of differences over the FTA. The key philosophical differences in the debate involve the extent to which one favors government involvement in the economy and whether the government should have control over vital resources. He argued that the FTA is a surrender of Canadian sovereignty on two counts—government control of natural resources and preserving natural resources for domestic use. Another Canadian participant expressed concern that the energy provisions in the FTA were too strict and did not take into account possible disruptions in the marketplace. Still another Canadian delegate viewed with alarm the tendency he perceived in his country to end debate on all issues addressed in the FTA, including energy. He felt many Canadians were displeased that due process was denied in this case.

Another Canadian delegate described his country's national energy policy as a disaster, but felt that the FTA does not foreclose debate on the subject. He argued that the FTA was a foreclosure of sovereignty only to the extent that a sovereign country wishes to relinquish it. The FTA allows free market pricing by simply taking the government out of the process.

A U.S. participant intoned that the FTA did not bind either country to do anything contrary to its national interest. In six months time, either country could withdraw from the Agreement.

As an aside, an American member expressed concern over the failure of Canada to comply with the stand-still pledge in the FTA with respect to fish, plywood, and textiles.

OMNIBUS TRADE BILL—H.R. 3

An American member explained that the conference report on the omnibus trade bill, H.R. 3, passed the House of Representatives by an overwhelming margin. The margin of victory in the Senate, however, was three votes short of the two-thirds necessary to override a presidential veto. The Democrats are gloating that the President has handed them a free issue—plant closings. H.R. 3 is neither as good nor as bad as the proponents and opponents claim. A major portion of the bill reduces tariffs on individual products, and there is not a single tariff increase in the bill. Most of Canada's concerns over the original House and Senate bills have been eliminated. A trade bill will eventually be signed into law.

A Canadian inquired, if H.R. 3 were in conflict with the Free Trade Agreement, which would prevail? The response was whichever is signed into law last, which most likely will be the FTA. Further, the FTA requires notification of the other party of any proposed revision of trade law that would affect the other and provides for a consultative procedure to review the consistency of new legislation with the FTA.

An American member pointed out that the President needs the negotiating authority provided in H.R. 3. A veto may muddy the water and delay consideration of the FTA. The House will take up and pass a revised trade bill, without the plant closings provisions or with a modified version, but Senate action is more problematic due to threats of a filibuster if the plant closings provisions is removed.

H.R. 3 provides for U.S. participation in the harmonized system of preferences. The United States is currently keeping two sets of books, which is expensive and confusing for the business community. The FTA is predicated on the harmonized system. So, it is important to enact H.R. 3 and put the U.S. on the harmonized system.

COMMITTEE SESSIONS

COMMITTEE I—TRADE ISSUES

The Committee on Trade and Economic Issues was co-chaired by Pat Nowlan and Sam Gibbons. Besides Mr. Nowlan, other members of the Canadian delegation serving on the Committee were Senators Duff Roblin, Richard Stanbury, and George Van Roggen and members of the House of Commons, Lloyd Axworthy, Bill Blaikie, Ken James, Bill Kempling, Paul McCrossan, and John McDermid. In addition, to Mr. Gibbons, the U.S. members serving on the Committee were Representatives Sam Gejdenson, Kika de la Garza, John LaFalce, and Federick Upton.

HARMONIZATION OF ANTIDUMPING AND COUNTERVAILING DUTY LAWS

Committee I devoted its session to a continuation of the plenary discussion on the U.S.-Canada Free Trade Agreement. The discussion on developing a harmonized approach to ATD/CVT duties was opened by a member of the U.S. delegation. He suggested that the underlying issue is government support—subsidies—and that a preliminary step in considering a unified structure is a better understanding of each country's system of government support. He remarked that, in the United States, government subsidies are generally available to all Americans and foreigners.

A Canadian explained that Canada is a large country with great regional disparity, so Canada has developed a system of regional development programs offering various types of support. The system identifies four categories of development, with areas classified as being the least developed receiving the greatest level of support. What has to be determined is what is a legitimate subsidy and what is an unfair subsidy—that is the critical decision to be made by the United States and Canada.

In response to a question about the nature of the change in the U.S. approach to subsidies as proposed in H.R. 3, an American explained that the bill would codify the principle of general availability—if a particular government support were open to all then it would not be countervailable. That was the principle applied in the softwood lumber case, in which it was determined that Canadian subsidies were not generally available.

A Canadian delegate noted that there are industrial subsidies in Canada and they are generally available. He asked whether provincial and local government incentives, through which localities compete for business investments, would be included as subsidies.

An American reported that the United States will soon take the European subsidy of the airbus to the GATT. Another American suggested that the United States Government does not subsidize industries, does not subsidize the building of production capacity, but does provide certain tax incentives and also R&D grants through

the Department of Defense, the Department of Energy, and other government agencies. It was suggested that subsidies such as Defense R&D grants do not cause direct injury to Canadian interests, as they are only for research and development, not for production, and Canada is generally not competitive in defense products. However, a Canadian pointed out that such front-end R&D subsidies do place Canadian industry at a disadvantage through spin-off products with commercial application.

It was noted that both Canadian provinces and U.S. states offer tax incentives in their effort to pirate industrial investments from other locations, and that in the long-run this is a self-defeating competition. An American member pointed out that DOD subsidies are not generally available, as they go only to the firm winning the contract.

In responding to an inquiry regarding the operation of the Canadian regional development program, a Canadian explained that the four-tiered system is founded on a formula based principally on unemployment. One could find all four tiers in a single province. Within a particular tier, the subsidies are generally available. The bulk of Canadian industry is located in Ontario and Quebec, and the objective of the regional development program is to direct industry to areas of unemployment and underdevelopment.

An American pointed out that normal U.S. practices aimed at attracting new investment—state governments giving a grant, local governments offering a tax abatement, and local utilities reducing their rates—can adversely affect investment and production in Canada.

A Canadian said there are significant differences in how the two countries subsidize agriculture. If the FTA were to totally eliminate transportation subsidies, it would wipe out Canadian grain production because transportation routes are so long and costly. Canadian transportation subsidy for grain is about \$60/ton. Most Canadian wheat exports go to third markets, but any that is shipped to the United States will no longer qualify for transportation subsidies.

Responding to a question of how one can rationalize the concept of "general availability" of a subsidy with the Jones Act, an American responded he could not. A Canadian pointed out that what is ordinary business practice in one country may be a subsidy in another, and it is that difference that must be reconciled.

A Canadian noted that there appears to be a prevalent American preception that Canada engages in government subsidies but that the United States does not. The truth is that, compared to other countries, neither country is particularly guilty, as evidenced by the fact that, despite annual bilateral trade of \$165 billion, there are only a handful of ATD/CVD cases between the two countries at any one time.

Participants in Committee I agreed that a better understanding of the nature and extent of subsidies in each country was necessary for a more comprehensive assessment of the possibilities for harmonizing U.S.-Canadian trade remedy law. The members agreed that, prior to the next annual meeting of the Canada-U.S. Interparliamentary Group the staff would attempt to develop and share documentation detailing the types of subsidies available in the

United States and Canada, and that consideration should be given to a special meeting of a subgroup of the Group to discuss the issue in greater detail.

THE FTA, GATT, AND THE URUGUAY ROUND

In response to a question regarding the Canadian position on the U.S. proposal in the Uruguay Round to eliminate all agricultural subsidies, a Canadian delegate explained that Canada is fully supportive of efforts to reform agricultural subsidies but does not believe that all subsidies can be eliminated. Canada will support the overall U.S. position but does not think the U.S. proposal is realistic. Another Canadian expressed concern that the United States desires to prohibit supply-management arrangements, which are important to certain Canadian agricultural products.

Another Canadian asked how the United States can purport to want to eliminate subsidies when it has recently enacted some of the largest subsidies in history, which threaten to wipe out Canadian farmers? An American responded that U.S. policy is not knocking out Canadian farmers, only regaining traditional U.S. world markets. The source of the problem is EEC subsidies. The intent of U.S. policy is to raise prices for farmers. In fact, through the Wheat Board, Canada is able to undersell U.S. exports.

A Canadian replied that grain prices are 30-40 percent below the level of five to six years ago. U.S. policies have hurt Canadian producers, who are caught in the middle of a U.S.-EC trade war. The European Community sees its agricultural support system in social, not economic terms, as is the case in Canada, to stem the erosion of traditional farm communities. An American said that U.S. farm policies are also based on social objectives—just as Canadian, European, and Japanese, to keep the family farmer on the farm.

It was explained that Canadian supply/management arrangements keep production down and result in prices higher than for similar U.S. agricultural products. The objective is production/income stability, and only domestic markets are affected. If farmers are left to their own devices, they will overproduce. So, the supply/management arrangement, based on current producers and estimated demand, regulates production. The system does not produce surplus for export, only enough for domestic consumption.

Another Canadian said that the other side of supply/management schemes is import controls. Supplementary licenses can be issued to satisfy unmet demand. Canadian food processors do not like supply/management systems as such arrangements prevent them from being competitive in export markets due to inadequate supply and high costs. The FTA raises the quota for importation of U.S. poultry from 6.5 percent to 7.5 percent of the Canadian market, and the amount permitted under the quota increases each year with rising consumption.

An American member reported that the United States does not engage in supply/management schemes per se, but does have marketing orders for specific commodity. If farmers within a region or nationally vote in favor of adopting marketing orders, then all farmers are covered. The objective is to raise quality and thereby increase

prices. Recent marketing orders for onions have been undercut by cheap lower quality Mexican onions.

A Canadian noted that supply/management arrangements do not always operate as intended. Eggs are covered by a supply/management scheme, but the surplus was so large that storage space was filled and eggs had to be trashed. Another flaw in such schemes is that the break-even point may be different for a family farm than for a corporate farm, and it may be the corporate producer who reaps the real benefit. An American reported that, in an effort to deal with that disparity, U.S. law places a cap of \$50,000 on the subsidy any one farm can receive. Consideration is now being given in the United States to decoupling support from production, focusing instead on income.

COMMITTEE II—DEFENSE AND ENERGY

Committee II was co-chaired by Barbara Sparrow of the Canadian delegation and Jack Brooks of the United States delegation. The other Canadian delegates participating in Committee II discussions were Senators E.W. Barootes, Henry Hicks, Bud Olsen and Members of the House of Commons Jim Edwards, Herb Gray, William Winegard, and Bill Blaikie. U.S. members of the Committee included Senator Ted Stevens and Representatives William Broomfield, David O'B. Martin, and Sam Gejdenson.

A Canadian delegate opened the discussion by bilateral energy issues by describing briefly Opinion 256 issued by the United States Federal Energy Regulatory Commission (FERC) in December, 1986. Opinion 256 was described as a substantial modification of an earlier recommendation made by an administrative law judge that allowed U.S. pipelines to pass through to their customers charges for Canadian gas in the same manner as billed by the Canadian seller. The decision, it was explained, allowed for the recovery of Canadian costs, but ordered the reallocation of certain fixed costs from the demand charge to the commodity charge. The reallocation increased the commodity charge portion within the two part rate structure to approximate the FERC's rate design for gas produced within the United States.

The Canadian delegate said that the method of pricing gas is established by the producer going first to the consumer to determine what the consumer will pay and taking what is left over as his, the producer's profit. This, the delegate pointed out, is the opposite of the American pricing system for natural gas. The Canadian participant expressed the view that the United States seems to want Canada to price gas the same way it does, asserting that Canada is dumping on the American market or selling cut-rate gas. That view, the Canadian said, is wrong, and the United States is stepping beyond propriety when it insists that the pricing system in Canada conform to the U.S. standard.

The Canadian delegate also pointed out that his country deregulated gas sales earlier, while the United States is still in the process of doing so. When both countries have fully deregulated, he suggested, they can harmonize their systems so that neither feels that it is being subject to the other's pricing systems. He expressed

the hope that the goodwill of the Free Trade Agreement would carry over to the issue of natural gas pricing.

A U.S. delegate responded by noting the long history of the U.S. natural gas pricing system and the difference between it and the Canadian system which allowed the producer to pass on future costs.

A Canadian delegate remarked that, although volumes of gas are presently increasing, prices are not declining. As a result, producers in general appear less concerned about the mechanics of the pricing system. An American delegate, continuing on this theme, said that the concern of the producers and sellers of gas are heightened when prices are low and lessened when prices are high. He voiced the view that, since so many economic factors are involved in natural gas pricing, it really should be kept out of the Free Trade Agreement.

Several of the Canadian delegates joined in saying that there must be a return for producers who have invested heavily—up to \$1.6 billion—in the natural gas pipeline. One delegate elaborated by explaining that the main concern in having producers receive some return on their investment was to provide an incentive to maintaining products so that all consumers would have a steady and reliable supply of gas available when needed. He encouraged the delegates to investigate ways of bringing on line probable additional reserves and ensuring that producers receive fair compensation.

A U.S. delegate picked up on the Canadian's thought and said that continued gas production in modest amounts was a desirable goal. Additionally, he said, a viable oil production capacity should be maintained. He encouraged all legislators to take an active role in this regard or face the prospect of consumers being hit with another energy shortage. We will all, he said, pay for our shortsightedness if we do not act now to maintain our production capacity.

A Canadian delegate followed up by noting that there was a strong disposition in Canada to complete the unfinished portion of the natural gas pipeline. That, he said, would provide a tremendous amount of energy to both countries.

A U.S. delegate directed the discussion on energy to the activity of the Japanese in securing an energy source in the area. He said that Japan has been liquefying and importing gas for at least twenty-five years and would continue to do so. There are, however, serious economic barriers: the necessity of a Prudhoe to Valdez pipeline, the need to liquefy the gas, and the current dearth of large capacity tankers. He noted that Japanese purchase of American gas could bring overall trade between the two countries into balance.

The discussion then turned to hydroelectric power, with a U.S. delegate expressing concern over the possibility of Hydro Quebec contracts being challengeable under the terms of the Free Trade Agreement. A Canadian delegate sought to allay those fears by explaining that, although his country's National Energy Board requires that any province's energy surplus be offered first to Canada's other provinces before an export license can be granted, contracts with the United States cannot be abrogated by the Board's criteria.

A U.S. delegate commented that the National Energy Board's criteria caused some anxiety among American consumers, with particular criticism that energy purchases from Canada are unreliable. The U.S. delegate appeared satisfied with the Canadian delegate's assurance that contracts cannot be abrogated. That, he said, would please Northeastern states since there is a widely held view that it would be foolish for the U.S. to build costly new hydroelectric facilities and pass those costs on to the American consumer when Canadian hydro power is so readily available to the Northeast. Another U.S. delegate reinforced this view, noting that Michigan and Ontario had worked out a very satisfactory energy arrangement in which each exports its surplus to the other every six months of the year.

A Canadian delegate observed that his country's energy exports to the U.S. had the additional benefit of acting to displace American imports of Mideast oil.

A brief discussion of uranium ensued in which a Canadian delegate noted the ready availability of uranium from Canada. He said that Canada is a less expensive and more reliable supplier of uranium than other nations. A U.S. delegate replied that, while that may be true, one particular state has an interest in preventing that type of import from Canada.

CANADIAN SUBMARINE PURCHASE AND ACCESS TO U.S. TECHNOLOGY

In June, 1987, the Canadian government issued a "Defense White Paper" which formalized a decision by the government to procure 10-12 nuclear powered submarines. In recent months, Canada has narrowed its consideration of possible choices to the British built Trafalger class submarine and the French produced Rubis class boat.

A United States participant began the discussion with background comments on the U.S. role in this matter. A few days prior to the Twenty-ninth Meeting of the Canada-United States Interparliamentary Group, President Reagan announced his intention to permit Canada to have the option of purchasing nuclear powered submarines from the United Kingdom. This is a transaction over which the United States has some control due to international agreements with both the United Kingdom and Canada. Should Canada decide to procure the French boat, however, the United States would have no role in the transaction. The delegate explained the long-standing policy of the U.S. government to carefully restrict access to nuclear technology. He explained that similar requests made by allies in the early 1970's had been denied. In spite of this interest by other friends and allies, until now, only the United Kingdom has had access to this U.S. technology.

The President's decision is a clear indication of the special relationship between Canada and the United States. The delegate continued that, should Canada choose the British boat, the U.S. Congress would play a role in the decision. While in both the House of Representatives and the Senate reservations have been expressed about sharing nuclear technology, the delegate saw no substantial opposition to the deal. He stressed that, should Canada choose to buy the British boat, it was incumbent on all three countries to

work together to ensure that the development of a Canadian nuclear propulsion program takes place safely and in a manner that strengthens the NATO alliance and our mutual defense capabilities.

The U.S. delegate indicated that, while many Americans may have some doubts about the course Canada had chosen in procuring nuclear powered submarines, there were no doubts in the United States about the fact that it is Canada's decision to make. In closing, the delegate asked his Canadian counterparts two questions. Given the linkage between the submarine purchase and Canada's claims to sovereignty over Arctic waters, was the procurement indicative of support for NATO, or conversely, evidence of a more independent defense stance for Canada? Was the decision final, or would a future Canadian government likely reverse the decision?

A Canadian delegate responded that Canada had a substantial anti-submarine warfare role that was well defined. The decision to acquire nuclear powered submarines was made so that Canada could properly support its role in NATO. The submarines would be used in the Pacific and Atlantic Oceans, as well as in icebound Arctic waters. It was indicated that a decision on the source of procurement would be made by the Canadian government by early June of this year. Finally, he noted that, according to the public positions of the major Canadian political parties, the decision to procure the submarines possibly could be reversed. It would, however, require a major change in the makeup of the government for this to occur.

Another Canadian delegate suggested that the decision was reversible. He pointed out the ironic situation in which the New Democratic Party, by its opposition to the transfer, was in alignment with perceived U.S. military opinion. Another Canadian participant indicated that there was a split in the Liberal Party on the matter of acquiring the nuclear powered submarines.

A U.S. participant, referring to a letter by Congressman Mel Price, noted that there were concerns in Congress that U.S. technology should be protected. While he indicated that concerns were not intended to offend Canada, the door should not be open to other countries to receive this sensitive technology.

When asked by a Canadian the extent of opposition in the U.S. to the transfer, a U.S. participant highlighted the close relationship between Prime Minister Mulroney and President Reagan and predicted similar good relations between future leaders of both countries. Another U.S. delegate expressed the sentiment that nuclear power and weapons were necessary in today's world, and a Canadian participant agreed that this was the price of maintaining our freedom.

ARTIC SOVEREIGNTY—ACCESS TO NORTHWEST PASSAGE

On January 11, 1988, representatives of Canada and the United States signed the Arctic Cooperation Agreement. Under the terms of the agreement, the United States pledges that navigation by U.S. icebreakers within waters claimed by Canada to be internal will be undertaken with the consent of Canada. According to the

United States government, the agreement is not an acknowledgment of Canada's sovereignty over the Northwest Passage.

A U.S. participant began the discussion by characterizing the recently signed document as an agreement to disagree on the issue of arctic sovereignty. He went on to recall that at the previous year's meeting this issue had been contentious, but that it now appeared largely resolved.

A Canadian participant indicated that some environmental concerns had been allayed by a decision by a major U.S. oil company to build a pipeline to transport its resource rather than shipping by tanker through the Northwest Passage. Another Canadian delegate commented that there was a good deal of dissatisfaction over the agreement among the political opposition parties in Canada as well as with some experts. The criticism stemmed from the perception that the agreement was too weak.

COMMITTEE III—ENERGY, ENVIRONMENT, AND FISHERIES

Committee III was chaired by James Balfour and Timothy Penny. In addition to Sen. Balfour, the Canadian delegation was represented by Ross Belsher, Howard Crosby, Jim Fulton, Darryl Gray, Fred McCain, and Bob Porter of the House of Commons. The U.S. delegation was also represented by Frank Horton and, in the discussion on Great Lakes levels, David Martin.

ACID RAIN

A Canadian delegate led off the discussion of acid rain by noting Canadian frustration over the U.S. desire for more research as opposed to directly attacking the problem. He pointed out that 50 percent of Canada's acid rain originates in the United States, and that the U.S. eastern seaboard also has acid rain problems. If we do not attack the problem directly, he said, both countries will be seriously affected.

The U.S. delegates agreed that acid rain is a very serious problem. They expressed the frustration of U.S. Congressmen over the Reagan Administration's lack of interest in the problem and the impossibility of getting legislation out of the House Energy and Commerce Committee.

The U.S. delegates pointed out that the acid rain problem is difficult to deal with because of the costs involved and because of the impossibility so far of bridging the gap between two different proposals in the U.S. Congress: One that would emphasize auto emissions, and one that would emphasize plant emissions. Another problem they cited is that environmental groups tend to back proposals that cannot get out of Committee. The delegates stressed the importance of at least starting to attack the problem by backing a proposal that could pass the Congress. A U.S. delegate suggested that the Canadians urge Energy and Commerce Committee Members to support a compromise proposal that could get through the Committee. There was discussion of a visit by a Canadian Parliamentary delegation to meet with key U.S. Congressmen, or of inviting such Congressmen to Ottawa.

The Canadian delegates described in some detail the effects of acid rain on Canada: e.g., 15,000 dead lakes and 150,000 beginning

to be affected; destruction of deciduous trees; and negative spinoff effects on the tourist industry. They also described Canada's program for reducing acid rain by 50 percent by 1994, from 1980 levels. They said Canadian policy is to compel plants to take action to reduce acid rain production, but to be flexible in handling the costs. Companies that can absorb the costs do so; others get federal or provincial aid. The cost to the government is \$500 million per year.

One Canadian delegate stressed the acute urgency of the problem, noting that acid rain damage is essentially irreversible within the lifetime of the current generation. He urged the Americans to understand that, once the pH level of the soil is changed by acid rain, it takes generations to change it back; when the trees die, they cannot be replanted. Another Canadian delegate noted the increased recognition of acid rain's effects on human health. He wondered whether the might not help get people's attention.

Finally, Canadians expressed concern over what they see as the failure of the Administrator of the U.S. Environmental Protection Agency to take actions that are already required under the Clean Air Act. An American delegate offered to talk to the Administrator to see what could be done.

FISHERIES

The Committee combined the discussion of East Coast and West Coast fisheries. A Canadian delegate began by citing two problems with respect to the depletion of fish stocks on the East Coast.

First is the necessity of greater regulation of the take. Regulation within the 200-mile limit will not be effective without also regulating the take beyond the 200-mile limit, he said, because of the migratory nature of the species. This delegate particularly criticized the Europeans for adopting the attitude that they could catch anything they wanted outside the limit if they were not given a quota within the limit.

The second problem is that the rapidly expanding seal population—unregulated because of pressure from conservation groups—is devastating the fish population. The delegate called for regulation of the seal population, and for conservation groups to take a more reasonable approach.

Various Canadian delegates lamented the fact that Canada cannot undertake a seal hunt because it would be subject to international sanctions and bad publicity. They were particularly upset by what they consider to be an emotional response to the clubbing of white seals, which they said result in a totally humane, instant death.

An American delegate from the northwest echoed the Canadian's concerns. He said that the moratorium on the taking of ocean mammals is causing an expanding population that is overconsuming fish on the West Coast and hurting the fishing industry. He focused particularly on the Beluga whale, which eats its weight in salmon during a salmon run. But, he said, the environmentalists are the strongest political force in the United States today, and they are not yet willing to bring back a balance between marine

mammals and fish for the purpose of protecting the fishing industry.

Members of both delegations called for more study and more reliable data on the problems of predator marine mammals.

The U.S. delegate brought up what he called a new Canadian nontariff barrier on unprocessed fish. Canadian law prohibiting the export of unprocessed fish was taken to the GATT by the United States, and Canada was found to be in violation of GATT rules. Canada thereupon passed a new law, which will go into effect January 1, 1989, providing that all fish caught in Canadian waters are to be landed in Canada and quality-inspected before being exported. The U.S. delegate argued that such a procedure requires processing, which makes the new law effectively the same as the old law. If this law is allowed to go into effect, the delegate predicted, the United States would retaliate under the GATT. He reminded the Canadians that more than half of their fleet fishes in Alaskan waters, and pointed out that, if Alaska were to implement the same law, it would be a boon to the Alaskan processing industry.

GREAT LAKES LEVELS

A U.S. delegate representing a Great Lakes district forcefully raised the problem of the effect on the tourist industry of the low water level that currently prevails in Lake Ontario. Last year the authorities dumped too much water from the lake for flood-control purposes, which caused problems for boaters and fishermen. The lake is now even lower than a year ago. This threatens economic disaster for about five million Canadians and Americans who cater to boaters and fishermen. He asked for the assistance of the Canadian delegates in "sensitizing" the joint authorities that manage the Great Lakes to the idea that jobs in the recreational industry should be taken into account, along with considerations of power, flooding, and shipping, in determining water levels. He stressed the need for immediate action since it takes two-to-three weeks to back water up 100 miles, and to save the industry the water level needs to be restored in May.

The Canadian delegates agreed to ask Members of Parliament from the affected areas to work with their U.S. counterparts on a joint letter to the appropriate authorities.

PLENARY—UNITED STATES AND CANADIAN ELECTIONS

A delegate from the United States began the plenary session on the upcoming elections by outlining the parameters of American politics in this election year. He began with the House of Representatives, noting that it is common to have 95% of the incumbents reelected in any given election year. The larger issue for the House then is the anticipated reapportionment in 1992 when many Congressional districts will be redrawn to account for the shift in population from Northeastern and Midwestern states to the sun belt states. Florida, for example, is expected to gain four additional House seats while New York may lose two.

In the speaker's opinion, the Democrats in the U.S. Senate may augment their numbers from their present majority of 54 to perhaps 56 or 57 of the 100 Senate seats. 1988, he said, will be a good

year for Democrats, even though they are typically outspent by Republicans 3 to 1. Additionally, he predicted that the Democratic Governors and Lieutenant Governors running for office this year will make a strong showing at the polls.

With respect to the Presidential contest, the speaker pointed out that, although Governor Michael Dukakis is presently 6-7% ahead of Vice-President George Bush in the national polls, only one Democrat, Jimmy Carter, has been elected to the White House in the last 20 years. Moreover, Republicans have a demographic advantage in Presidential elections. John F. Kennedy, he noted, won a plurality in 1960 by just a few thousand votes. If the same election were held today, the electoral college margin would be much closer because of the electoral college votes that have since shifted to the more conservative regions of the country.

Another U.S. delegate contributed to the discussion by commenting that, as soon as one President is elected, Americans start looking at the potential nominees for the next presidential contest. A new element of the 1988 elections, he added, is the intense focus on selection of the vice-presidential running mates. This may be due in part to the widespread feeling that both the likely party nominees are dull. Since the Republicans hold their party convention in August, after the July Democratic convention, the GOP is expected to look carefully at the Democratic vice-presidential running mate and choose theirs accordingly.

The Canadian discussants began their portion of the plenary by explaining that this year could be a national election year for them as well. Under the Canadian Constitution, the Prime Minister can call a new election anytime within the five year maximum term. Since Prime Minister Mulroney has served nearly four years, he has until May 1989 to call new elections, although he has been hinting about new elections perhaps as early as this Fall.

Another Canadian delegate outlined the current party line up in the House of Commons; 211 Conservative, 40 Liberal, 30 New Democrat Party, and 1 Independent. Given Canada's increase in population, the present total of 282 Members of Parliament must be augmented by 13 in the next election, bringing the membership in the House of Commons to 295.

Recent opinion polls in Canada indicate that the Conservatives, the Liberals, and the NDP are in a dead heat, with each hovering around 32-33%. The outcome of the elections, he said, are very uncertain, and many in Canada are anticipating a coalition government of Liberals and Conservatives. The fortunes of the Liberal Party are of special interest since they have governed Canada 14 of the last 20 years.

The major issue in the next election will probably be the general record of the government, with the strength of the economy likely to benefit the Conservatives. Other issues expected to play a prominent role in the election are the Free Trade Agreement, a recent Supreme Court decision on abortion, the Meech Lake Accord, acid rain, and Canada's defense posture in the world, most notably its obligations under NATO and NORAD. Whatever the outcome of the next election, Canada will not turn back the clock on either the Free Trade Agreement or its commitment to the Western alliance.

Another Canadian participant remarked that the closeness of the three major parties in the polls is a very new phenomenon and future shifts could be expected.

On the issue of acid rain, a Canadian delegate said that the problem would continue to be an issue of strong interest for Canada, particularly in the Eastern region of the country. He asked his American colleagues why acid rain was not a priority for President Reagan. A U.S. delegate responded that the Northeastern states were as concerned about acid rain as Canada, but the President is unenthused about taking on the issue. Furthermore, acid rain legislation has been bottled up in the House Energy and Commerce Committee, which is where the legislation for funding acid rain clean up would commence.

Drawing the plenary discussion to a close, an American delegate argued strongly in favor of ratification of the Free Trade Agreement and against consideration by future Canadian governments of abrogation of the historic agreement. A final comment was made by a Canadian delegate who said that, although there is undeniable division among the parties over the merits of the Free Trade Agreement, 60% of Canadians polled support the Agreement and that any future revisions that might be sought would only be tinkering and should not be interpreted as wholesale abrogation of the Agreement.